

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WARREN COUNTY WATER	)	
DISTRICT TO ISSUE SECURITIES IN THE	)	
APPROXIMATE PRINCIPAL AMOUNT OF	)	
\$2,095,000 FOR THE PURPOSE OF REFUNDING	)	CASE NO. 2012-00043
CERTAIN OUTSTANDING REVENUE BONDS OF	)	
THE DISTRICT PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On February 7, 2012, Warren County Water District ("Warren District") applied to the Commission for approval to enter into a loan agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$2,095,000 to refinance existing long-term debt.

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Warren District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that produce and distribute water to approximately 24,784 customers in Warren County, Kentucky.<sup>1</sup>
2. Warren District proposes to execute an Assistance Agreement with the KRWFC to borrow \$2,095,000, subject to a 10 percent adjustment. The proposed loan

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<sup>1</sup> Report of Warren County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2010 (hereinafter "Annual Report") at 5 and 27.

will have a 27-year term with interest rates that vary from 2.00 percent to 4.25 percent per annum.<sup>2</sup>

3. Warren District proposes to use the proceeds from the loan agreement to refund the outstanding revenue bonds designated as Warren County Water District Refunding Revenue Bonds, Series 1998 (“Series 1998”),<sup>3</sup> and as Warren County Water District Revenue Bonds, Series 1999A (“Series 1999A”).<sup>4</sup>

4. Approximately \$735,000 of the Series 1998 Bonds remain outstanding. These bonds bear interest at a rate of 4.5 percent per annum and are held in the open market.

5. Approximately \$1,742,000 of the Series 1999A Bonds remain outstanding. These bonds bear interest at a rate of 5.125 percent per annum and are held by Rural Development.<sup>5</sup>

6. Warren District will expend \$2,599,760 to refund the outstanding bonds and to pay bond issuance costs.<sup>6</sup>

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<sup>2</sup> Application, Appendix A.

<sup>3</sup> See Case No. 98-039, *The Application of Warren County Water District, Warren County, Kentucky, for Authority to Issue Certain Securities As Required By KRS 278.300* (Ky. PSC Feb. 19, 1998) (authorizing bond issuance).

<sup>4</sup> See Case No. 99-350, *The Application of Warren County Water District, Warren County, Kentucky, (A) For a Certificate of Convenience and Necessity, Pursuant To KRS 278.020 and 278.023, Authorizing Said District to Construct Improvements and Extensions Will Be Financed in Part Under the Terms of an Agreement Between the Water District and the United States Department of Agriculture; Rural Development, (B) For Authority to Issue Certain Securities as Required by KRS 278.300; and (C) For Approval of Water Rates and Charges* (Ky. PSC Sep. 15, 1999) (authorizing bond issuance).

<sup>5</sup> Rural Development is an agency of the U.S. Department of Agriculture.

<sup>6</sup> Application at Exhibit B. \$16,537 (Original Issue Discount) + \$31,425 (Total Underwriter's Discount) + \$47,425 (Cost of Issuance) + \$2,502,150 (Deposit to Current Refunding Fund) + \$2,223 (Rounding Amount) = \$2,599,760. The sources of these funds are: Par Amount of Bonds (\$2,095,000), Reoffering Premium (\$4,201), Prior Issue Debt Service Funds (\$85,559), and Prior Issue Debt Service Reserve Funds (\$415,000).

7. Warren District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$721,561 and \$638,226, respectively.<sup>7</sup>

8. Warren District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Warren District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

9. Warren District has requested a deviation from 807 KAR 5:001, Section 11(2)(a), which requires the filing of a financial exhibit covering "operations for a twelve (12) month period . . . ending not more than ninety (90) days prior to the date the application is filed."<sup>8</sup> It has provided its financial statements for calendar year 2010 and represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

10. Warren District has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a).

IT IS THEREFORE ORDERED that:

1. Warren District's motion to deviate from 807 KAR 5:001, Section 11(2)(a), is granted.

2. Warren District's application is considered filed as of February 7, 2012.

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<sup>7</sup> *Id.* at Exhibit C.

<sup>8</sup> 807 KAR 5:001, Section 6. 807 KAR 5:001, Section 11(2)(a), refers to Section 6. While Warren District requests a deviation from 807 KAR 5:001, Section 6, its requested relief requires a deviation from 807 KAR 5:001, Section 11(2)(a). The Commission will consider Warren District's request as a motion to deviate from 807 KAR 5:001, Section 11(2)(a).

3. Warren District is authorized to enter into an agreement with KRWFA to borrow no more than \$2,304,500<sup>9</sup> for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

4. If the actual terms and conditions of the agreement with KRWFA differ from those set forth in its application, Warren District shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

5. Within 30 days of executing the proposed agreement, Warren District shall file a written statement with the Commission setting forth the date on which the agreement was entered, the actual interest rates, and the principal amount.

6. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in Warren District's application.

7. Any documents filed pursuant to ordering paragraphs 4 and 5 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

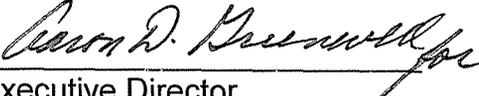
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<sup>9</sup>  $\$2,095,000 \times 110\% = \$2,304,500.$

By the Commission

ENTERED PA  
MAR 08 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2012-00043

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